

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PRS-01 PA-04

USIA-15 EA-11 NEA-14 AF-10 IO-14 ARA-16 DRC-01 OPIC-12

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R 161426Z AUG 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6463

INFO USMISSION OECD PARIS

C O N F I D E N T I A L ROME 11245

E.O. 11652: GDS

TAGS: EINV, ENRG, OPEC, IT

SUBJECT: FOREIGN DIRECT INVESTMENT BY OIL PRODUCERS

REF: STATE 178868

1. FOLLOWING IS KEYED TO QUESTIONS RAISED IN REFTTEL WHICH APPLY TO ITALY. QUESTION A. ON WHOLE EMBASSY BELIEVES GOI WOULD WELCOME DIRECT INVESTMENT FROM OIL PRODUCERS. ITALY HAS FIRM TRADITION OF ENCOURAGING FOREIGN DIRECT INVESTMENT FOR BOTH INTERNAL DEVELOPMENT AND BALANCE OF PAYMENTS CONSIDERATIONS. IT HAS BEEN REALTIVELY FREE OF NATIONALISTIC FEARS OF FOREIGN CONTROL OF ITALIAN ECONOMY. GIVEN LARGE PROJECTED BALANCE OF PAYMENTS DEFICITS FOR 1974 AND 1975, GOI WOULD CONSIDER OIL PRODUCERS' INVESTMENTS PARTICULARLY HELPFUL NOW AS MEANS FO RECYCLING SOME OF ITALY'S LARGE OIL IMPORT PAYMENTS BACK TO ITALY. HOWEVER, IF INVESTMENTS WERE TOO GREATLY CONCENTRATED IN CERTAIN
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KEY SECTORS (AUTO, PETROLEUM, ETC.), GOI MIGHT REACT TO

UNPRECEDENTED SITUATION BY ADOPTING SOME CONTROLS ON OR SCREENING OF FOREIGN DIRECT INVESTMENTS. ALSO, GIVEN STATE OWNERSHIP OF LARGE SECTORS OF ITALIAN INDUSTRY, SOEM POLICY PROBLEMS MIGHT ARISE AS TO OPENING UP OF THESE SECTORS TO COMPETITION FROM LARGE FOREIGN INVESTMENTS OR TO SALE OF PART OF STATE HOLDINGS TO OIL PRODUCERS.

2. QUESTION B. THERE IS NO DOUBT THAT GOI IS CONCERNED ABOUT GETTING FAIR SHARE OF RECYCLED OIL PRODUCERS' EXCESS FUNDS. IF DISPROPORTIONATE SHARE OF OIL PRODUCERS' INVESTMENTS WERE CONCENTRATED IN US, GOI MIGHT BE WORRIED ABOUT ITS ABILITY TO OBTAIN ADEQUATE FINANCING OF ITS BALANCE OF PAYMENTS DEFICITS. WE DON'T BELIEVE, HOWEVER, THAT ITALIANS WOULD VIEW USG RESTRICTIONS OF OIL PRODUCERS' INVESTMENTS WITH ALARM, UNLESS US RESTRICTIONS WERE SO DRASTIC AS TO EXCERBATE POTENTIAL PROBLEM OF FOREIGN CONTROL OF ITALIAN ECONOMY MENTIONED ABOVE. THIS DOES NOT SEEM VERY LIKELY. BASICALLY, GOI WILL WANT TO ENSURE THAT WHATEVER POLICY USG ADOPTS WITH REGARD TO OIL PRODUCERS' DIRECT INVESTMENT BE COORDINATED INTERNATIONALLY WITH DEVELOPED COUNTRIES WITH OIL DEFICITS IN ORDER TO ENSURE ORDERLY FLOW OF FUNDS. VOLPE

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